

Message Text

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PAGE 01 STATE 049997

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ORIGIN EA-10

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P 060041Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO PRIORITY

INFO CINCPACREP GUAM/TTPI PRIORITY

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E.O. 11652: N/A

TAGS: TQ, EAID, JA, US

SUBJECT: MICRONESIA CLAIMS AGREEMENT

REFS: A. TOKYO 2739; B. TOKYO 2378; C. TOKYO 2136;

D. TOKYO 1345; E. TOKYO 1294; F. TOKYO 0364;

G. TTPI 031

CINCPACREP PASS TO HICOM AND STATUS LNO

SUMMARY: REFTELS RAISED QUESTIONS PRIMARILY DEALING WITH INTERPRETATION OF DEFINITION OF PROCUREMENT IN AGREEMENT, LENGTH OF PROCUREMENT PERIOD EXTENSION DESIRED, AND HANDLING OF SPECIAL ACCOUNT INTEREST. WE AGREE WITH INTERPRETATION PROCUREMENT AS PAYMENT FROM SPECIAL ACCOUNT ALONG LINES PROPOSED TOKYO 2136 PROVIDED PROCUREMENT DEADLINE EXTENDED UNTIL OCTOBER 15, 1976. SPECIAL INTEREST ACCOUNT HANDLING AS DESCRIBED TOKYO REFTELS IS ACCEPTABLE.

1. WE BELIEVE INTERPRETATION OF CLAIMS AGREEMENT LANGUAGE

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PAGE 02 STATE 049997

IS CLOSELY RELATED TO QUESTION OF EXTENDING DEADLINE. WE

ARE WILLING TO APPROVE FONOFF INTERPRETATION OF QUOTE PROVISION OF PRODUCTS AND SERVICES UNQUOTE AS MEANING BY AND UPON MAKING PAYMENT FROM THE SPECIAL ACCOUNT ONLY WITH ASSURANCE PROCUREMENT PERIOD CAN BE EXTENDED TO OCT. 15, 1976. PLEASE CONFIRM OUR UNDERSTANDING THIS INTERPRETATION

MEANS ACTUAL DELIVERY OF GOODS AND SERVICES MAY TAKE PLACE AFTER OCT. 15, 1976 AS SPECIFIED IN INDIVIDUAL CONTRACTS.

2. WE AGREE TO SUBMISSION RICE EXPERT CONTRACT BASED ON THIS INTERPRETATION. FULL PAYMENT BY MAY 20, 1975 MAY BE MADE IF NECESSARY, ALTHOUGH EXTENSION DEADLINE MAY OBVIATE THIS.

3. AS RESULT CONSULTATION WITH TTPI OFFICIALS IN WASHINGTON, WE CONCLUDE EXTENSION OF PROCUREMENT DEADLINE UNTIL OCT. 15, 1976 IS MINIMUM WHICH WILL INSURE FULL UTILIZATION OF FUNDS. JAPANESE OFFICIALS GAVE TTPI OFFICIALS CLEAR IMPRESSION THIS WAS CONTEMPLATED DEADLINE DURING DIFFICULT DISCUSSIONS LEADING TO FINAL APPROVAL OF PROCUREMENT PROCEDURE IN JUNE 1974. THIS DEADLINE LEAVES ACTUAL PROCUREMENT PERIOD OF LESS THAN THREE YEARS FOLLOWING JUNE 1974 AGREEMENT ON PROCEDURES.

4. TTPI PROCUREMENT PLANS AS FOLLOWS: AS OF END FEBRUARY 1975 ORDERS PLACED FOR 722 THOUSAND DOLLARS. WITHIN NEXT 12 MONTHS, EXPECT ORDERS TO TOTAL ABOUT 5 MILLION 370 THOUSAND DOLLARS, LEAVING ABOUT 850 THOUSAND DOLLARS OF ORIGINAL LIST. UTILIZATION OF FULL AMOUNT EXPECTED DURING FY 1976, BUT EXTENSION DEADLINE TO OCT. 15, 1976 IS NECESSARY FOR FOLLOWING REASONS: (A) NORMAL DELAY BETWEEN CONTRACT SIGNING AND ISSUANCE CHECK ON SPECIAL ACCOUNT (B) POSSIBILITY CHANGES IN PROCUREMENT PLANS BECAUSE OF UNAVAILABILITY MATERIALS, PRICE CHANGES, ETC. (C) IMPORTANCE OF STAGED PROGRESS PAYMENTS ON MAJOR CONTRACTS SUCH AS FISHING VESSELS AND MARICULTURE PROJECT. SUGGEST EMBASSY MAINTAIN CLOSE CONTACT WITH US PROCUREMENT OFFICER QUIGLEY RE PROCUREMENT SCHEDULE.

5. BUDGETARY UNCERTAINTIES REMAIN BUT ARE NOT CONSIDERED LIMITED OFFICIAL USE

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PAGE 03 STATE 049997

OBSTACLE TO CONTRACTING OR PAYMENT FROM SPECIAL ACCOUNTS.

6. IN VIEW OF PREVIOUS UNDERSTANDING WITH FONOFF AND PROCUREMENT PLANS TTPI, WE BELIEVE IT ESSENTIAL TO INSIST ON OCTOBER 76 DEADLINE RATHER THAN AGREE TO EARLIER DEADLINE AND RUN RISK OF NEED FOR ADDITIONAL EXTENSION.

7. WE AND TTPI OFFICIALS AGREE WITH INTEREST ARRANGEMENTS

PROPOSED TOKYO 1345 INCLUDING FORMAL EXCHANGE OF NOTES WITH FONOFF AND LETTER FROM EMBASSY TO BANK (PARA 3 TOKYO 2136). MONTHLY STATEMENT COVERING FIXED DEPOSITS, CURRENT DEPOSITS AND INTEREST WILL BE FORWARDED TO EMBASSY FOR TRANSMITTAL FONOFF. PLEASE CONFIRM THAT NO ADDITIONAL PROCEDURE FOR USE INTEREST IS NEEDED BEYOND COVER LETTER WITH CONTRACT AND PROVISION IN CONTRACT. COURSE OF ACTION PROPOSED BY

EMBASSY IN PARA 6 TOKYO 1345 RE DEPOSITS AT NOTICE ALSO ACCEPTABLE. TTPI WILL SO INSTRUCT BANK. DEPARTMENT AUTHORIZES EMBASSY TO EXCHANGE LETTERS WITH FONOFF AND BANK AS DESCRIBED TOKYO 1345 AND TOKYO 0364.

8. INTERIOR AND HICOM HAVE CONCURRED IN THIS MESSAGE. INGERSOLL

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